

Council/Agency Meeting Held: <u>9/20/04</u>		<i>Patty Espinoza</i> Deputy City Clerk's Signature
Deferred/Continued to: <u>11/15/04</u>		
<input type="checkbox"/> Approved <input type="checkbox"/> Conditionally Approved <input type="checkbox"/> Denied		
Council Meeting Date: <u>9/20/2004</u>	Department ID Number: <u>ED 04-29</u>	

CITY OF HUNTINGTON BEACH REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: HONORABLE MAYOR CITY COUNCIL MEMBERS

SUBMITTED BY: *Penelope Culler*
PENELOPE CULBRETH-GRAFT, CITY ADMINISTRATOR

PREPARED BY: DAVID C. BIGGS, DIRECTOR OF ECONOMIC DEVELOPMENT

SUBJECT: *Res. Nos. 2004-76, 2004-77, and 2004-78*
ROBERT F. BEARDSLEY, DIRECTOR OF PUBLIC WORKS
Approval of Resolutions Holding of Election, Declaring the
Results and Establishing Community Facilities District No. 2004-1

Statement of Issue, Funding Source, Recommended Action, Alternative Action(s), Analysis, Environmental Status, Attachment(s)

Statement of Issue: Through the Disposition and Development Agreement with CIM/Huntington, LLC, the City of Huntington Beach and its Redevelopment Agency have an obligation to assist with the financing of certain public facilities. This can be done most economically through the establishment of a Community Facilities District (CFD) and the sale of bonds to finance public improvements for the project being developed on Blocks 104 and 105 in Downtown in Huntington Beach and known as The Strand. At the City Council's Meeting of August 16, 2004 the City Council passed two resolutions indicating that it would hold an election with the intent to form a CFD and its intention to establish said district at the City Council meeting of September 20, 2004.

Funding Source: Funding for this CFD will come from bonds to be issued in the future. A special tax levy will be paid by CIM/Huntington, LLC to pay the bonds over the life of these bonds. Neither the City nor the Redevelopment Agency has any responsibility for the repayment of the bonds. The costs associated with the issuance of the bonds are funded from the bonds.

Recommended Action:

- 1) Open, Conduct and Close Public Hearing.
- 2) Adopt Resolution No. 2004-76 of the City Council of the City of Huntington Beach Establishing City of Huntington Beach Community Facilities District No. 2004-1 (The Strand) and Establishing the Boundaries Thereof.

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- 3) Adopt Resolution No. 2004-77 of the City Council of the City of Huntington Beach Calling a Special Election and Submitting to the Voters of the City of Huntington Beach Community Facilities District No. 2004-1 (The Strand) Propositions Regarding Incurrence of Bonded Indebtedness the Annual Levy of Special Taxes Within the Community Facilities District to Pay Principal and Interest on Bonds Thereof, and the Establishment of an Appropriations Limit.
- 4) Hold Election.
- 5) Adopt Resolution No. 2004-78 of the City Council of the City of Huntington Beach Declaring the Results of the Consolidated Special Election for the City of Huntington Beach Community Facilities District No. 2004-1 (The Strand) County of Orange, State of California on the Propositions with Respect to (i) Incurring Bonded Indebtedness in an Original Amount not to Exceed \$15,000,000, (ii) the Annual Levy of Special Taxes to Pay Principal and Interest on Bonds, and (iii) the Establishment of an Appropriation Limit and Authorizing the Recordation of the Notice of Special Tax Lien.

Alternative Action(s): Do not approve the attached resolutions

Analysis: The Disposition and Development Agreement (DDA) was approved by the City Council and Redevelopment Agency on June 17, 1999. Since then, the Agency has entered into five Implementation Agreements clarifying some of the terms of the original DDA. On June 25, 2004, the Redevelopment Agency conveyed the properties to the developer. These properties encompass a portion of Block 104 and Block 105 in downtown Huntington Beach. The scope of development includes a 500 space underground parking structure, a 149 room hotel, plus approximately 110, 000 sq. ft. of commercial and office space.

Under the terms of the DDA, the Agency has pledged to repay the developer for extraordinary costs associated with development not to exceed \$7.9 million. This is referred to as the Developer Advance. The Agency has agreed to repay the Developer Advance from a portion of the project's public revenues including property tax increment, transient occupancy taxes, and sales taxes over 25 years. The interest rate that this obligation carries is 10%. However, there is a provision within the DDA that affords the Agency the opportunity to lower its costs through the issuance of Community Facility District bonds. The rate on the Developer Advance would be adjusted to reflect the rate of the bonds. Since bond rates are currently significantly below the 10% rate, this will permit the Agency to save hundreds of thousands of dollars in annual interest expense.

This development project requires a substantial amount of public facilities, such as water, sewer, storm drainage and a subterranean public parking structure. In addition to a new 96" diameter storm drain project along 6th Street, all the utilities (water lines, electrical lines, cable systems and gas lines) running through the existing properties will be relocated around the project. Fifth Street will also be reconstructed on top of the underground parking structure. To finance these public improvements, a Community Facilities District (CFD) is proposed to be formed under the terms of Chapter 3.56 of the Municipal Code of the City of Huntington

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Beach and Chapter 2.5 of Part 1 of Division 2 of Title 5 of the California Government Code. This section is most commonly known as "Mello-Roos Community Facilities Act of 1982." While a CFD is most often used to finance public infrastructure in new subdivisions on the fringes of urbanized areas, it works equally well for redevelopment projects within urbanized areas. Most recently in Huntington Beach the City has formed CFDs for the Hyatt Resort and Spa, Bella Terra and the McDonnell Center Business Park.

The Huntington Beach Community Facilities District No. 2004-1 is limited to the boundaries of The Strand project as specified in the prior Resolution of Intention adopted on August 16, 2004 (Resolution No. 2004-68). A special property tax sufficient to pay debt service on the bonds based upon the value of the private improvements to be developed as part of The Strand will be levied on the property within the District sufficient to retire the bonds. This value will be confirmed by independent appraisal and will be part of the disclosure in the Official Statement. Under no circumstances would the City's general fund or any other funds be obligated to pay debt service.

It is requested that the City Council first hold a public hearing on this matter, form the district and then hold an election of the voters of the district, which has only two property owners: CIM/Huntington, LLC and Dolores L. Cracchiolo and Salvator W. as Trustees of Declaration of Trust dated June 12, 1979 an undivided 53% interest to Subtrust C and a 47% undivided interest to Subtrust A.

Sometime in the future, after the formation of the Community Facilities District, the City Council will be asked to approve the sale of the bonds to fund the eligible improvements. It is anticipated that the bond sale will take place no earlier than the end of the year.

Environmental Status: Implementing actions associated with The Strand are covered under Environmental Impact Report No. 01-02 adopted October 21, 2002.

Attachment(s):

City Clerk's Page Number	No.	Description
4	1.	CFD Report.
10	2.	Resolution No. 2004-76 of the City Council Establishing CFD No. 2004-1 (The Strand). <i>Amended for 11/15/04 meeting</i>
30	3.	Resolution No. 2004-72 of the City Council Establishing Bonded Indebtedness and Appropriations Limit. <i>Amended for 11/15/04 Mtg</i>
39	4.	Resolution No. 2004-78 of the City Council Incurring Bonded Indebtedness not to Exceed \$15 million, Establishing the Annual Levy of Special Taxes to Pay the Bonds and Authorizing the Recordation of the Special Tax Lien. <i>Amended for 11/15/04 Mtg</i>
44	5.	Power Point Presentation. <i>Amended for 11/15/04 Mtg</i>

